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This Week in Canadian Agriculture, Issue 39 2002

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Report Highlights:

"What's New, Eh?" * Canada Proposes Free Trade Agreements with Andean Countries and Dominican Republic * Crowd Gathers as Prairie Farmers Go to Jail * British Columbia Replaces Forest Practices Code * New Support for P.E.I. Hog Industry * Saskatchewan Announces Short-term Hog Loan Program * Western Standards Committee Holds First Meeting * Farmer Seeks Supreme Court Appeal Against Monsanto * Trade Mission to Africa * Proactive Stance by Beef Industry Helped Improve Demand Says Report * Majority of Canadians Eat Snack Foods on a Daily Basis *
...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA-COSTA RICA FREE TRADE AGREEMENT ENTERS INTO FORCE: According to the Canadian Department of Foreign Affairs and International Trade (DFAIT), Trade Minister Pierre Pettigrew announced that the Canada-Costa Rica Free Trade Agreement went into effect on November 1. "Canadian exporters will begin to take advantage of this agreement," said Minister Pettigrew. "It provides a balanced market access package that will bring significant benefits to both countries and it marks a step forward for future cooperation." The agreement, signed in April 2001, gives better access to the Costa Rican market for Canadian fish, paper products, auto parts, plastics, wood and agricultural goods. It will also reduce red tape and border procedures for Canadians doing business in Costa Rica. Two-way merchandise trade between Canada and Costa Rica reached \$250 million in 2001. Pettigrew stated that the alliance that will be very useful in providing momentum to the negotiations of the Free Trade Area of the Americas.

CANADA PROPOSES FREE TRADE AGREEMENTS WITH ANDEAN COUNTRIES AND DOMINICAN REPUBLIC: In a November 4 news release from DFAIT, Trade Minister Pettigrew announced that the Government of Canada will hold consultations concerning two proposed free trade deals, one with the Andean community (Bolivia, Colombia, Ecuador, Peru and Venezuela) and one with the Dominican Republic. "Negotiating an agreement with the five Andean countries will strengthen our economic relations and foster socio-economic development in South America," said Minister Pettigrew. "It will also provide momentum to the Free Trade Area of the Americas process. The Andean countries are important commercial partners for Canada; bilateral trade in 2001 reached C\$3.6 billion, with Canadian exports totaling C\$1.5 billion. Cumulative Canadian investment in the Andean countries is estimated at \$11 billion. Two-way merchandise trade between Canada and the Dominican Republic is increasing, and amounted to nearly \$200 million in 2001. Canadian investment in the Dominican Republic is over C\$290 million, principally in mining, banking, communications and tourism.

CROWD GATHERS AS PRAIRIE FARMERS GO TO JAIL: The November 1 edition of the *Winnipeg Free Press* reported that a throng gathered outside the courthouse in Lethbridge, southern Alberta, to applaud the 13 grain growers who were surrendering to the authorities for jailing because they refused to pay fines for the crime of exporting wheat. They had defied the monopoly of the Canadian Wheat Board and the authorities punished them to enforce the monopoly. The monopoly won - but it may have lost more than it won because the monopoly is withering anyway and cannot indefinitely survive such challenges, says the article. The crowd outside the courthouse was vociferous in support of free trade and in defiance of the Wheat Board monopoly. Alberta premier Ralph Klein delivered a fiery speech in which he said that the

CWB was just another example of Ottawa's oppression of Alberta. While the CWB consoles itself that most of farmers support the CWB and its monopoly, they should read the writing on the wall. The CWB is supposed to serve wheat producers, not jail them. Even the most enthusiastic supporters of the CWB must wonder what moral authority remains to the wheat producers' marketing agency when the level of opposition to its monopoly powers has become this intense. A growing number of farmers reject the logic of the monopoly. Some make a dramatic statement and go to jail. Others just sell the farm or switch to crops that do not fall under the monopoly. It is hardly a success for the Wheat Board to throw its permit-holders in jail. It is a success that feels more like a political defeat.

WHEAT BOARD FIGHT NOT ABOUT THE MARKETS, ITS ABOUT ECONOMIC SLAVERY: The November 7 edition of *Good Morning Ontario*, covering a *National Post* commentary reported that the Canadian Wheat Board issue is not just about choice, says University of Calgary Barry Cooper and David Bercuson. According to Cooper and Bercuson, it is not even about what benefits the farmer and what does not. The basic issue is whether or not a prairie grain producer can be a responsible citizen, and raise and dispose of his own crops as he wishes. Even devout supporters of the welfare state, to say nothing of the great body of ordinary and productive Canadians, believe that individuals have a right to own property and to reap for themselves the benefit of the work they invest in the product of their brains or their back. Not so for prairie wheat and barley growers. Cooper and Bercuson say this compulsory and geographically discriminatory monopoly is probably the last fundamental human rights issue that remains largely ignored by governments, by the courts, and by the media. An individual who is determined to grow wheat or barley on the Prairies is an economic slave whether he or she favors that slavery or not.

BRITISH COLUMBIA REPLACES FOREST PRACTICES CODE: According to the British Columbia (BC) Ministry of Forests, the B.C. provincial government introduced legislation on November 4, 2002 to make forest practices more efficient and effective while maintaining environmental standards. The new *Forest & Range Practices Act* represents a shift from government micro-management to a smarter system of forest management that is more in keeping with current circumstances. The B.C. government will determine the specific standards and rules that forest companies must meet to conserve biodiversity, old growth, wildlife habitat and other values. Forest companies will have more flexibility in deciding how best to achieve government requirements. To ensure companies meet their environmental commitments, government enforcement will continue to conduct about 50,000 inspections a year, with higher penalties for non-compliance. In addition, the independent Forest Practices Board will continue to audit and report on companies' compliance. The new Code emphasizes environmental protection, science-based management, public involvement and open reporting. The new Code will come into effect in spring 2003, and be implemented over a two-year period. For more information, go to: www.for.gov.bc.ca/code

NEW SUPPORT FOR P.E.I. HOG INDUSTRY: Provincial Agriculture and Forestry Minister Mitch Murphy has announced three new programs worth C\$7 million to provide cash flow assistance and expand the island's hog industry. A new loan program will provide up to C\$3.5 million in cash to hog producers in the form of bridge financing due to low market prices. The program is retroactive to August 1 of this year. The funds are being made available by the P.E.I.

Lending Agency at interest rates of Canadian prime (4.5%) plus one percent and will be administered by P.E.I. Pork. Repayment will take place when producers can trigger a payment under safety net programs or market prices return to profitability. A hog industry expansion program offering C\$2 million will help producers who want to increase the size of their operations and C\$1.5 million is being made available for a "depop-repop" program which would assist producers to improve herd health standards by acquiring disease-free stock in place of existing hogs. Funding for these latter programs will be in the form of a loan with an interest rate of prime plus one per cent. P.E.I. accounts for about 1% of total Canadian pork production.

SASKATCHEWAN ANNOUNCES SHORT-TERM HOG LOAN PROGRAM: The provincial government in Saskatchewan has announced a Short-Term Hog Loan program to help its pork producers hit hard by low prices and high feed costs. The program will provide producers with up to C\$26 million in loans to help them through the current low price/high feed cost situation. Loans will be available to producers based on the difference between C\$145 per hundred kilograms and the average market hog price of a 108 index hog in Saskatchewan, multiplied by the provincial average dressed weight (90 kg), subject to a maximum loan of C\$50 per animal. The loans will be available for hogs marketed and weanlings sold between September 3, 2002 and April 30, 2003. Weanling producers will also be eligible for loans of up to \$10 per weanling. For the period to March 31, 2004, loans will be repaid when prices top \$150 per hundred kg, with a third of the difference between the average hog price and \$150 per hundred kg going toward loan payback. On April 1, 2004, the balance of the loan will be termed out over 3 years. Saskatchewan accounts for about 5% of total Canadian pork production.

GOVERNMENT LAUNCHES WEB SERVICE FOR CANADIAN EXPORTERS: A November 5 news release from DFAIT reported that Trade Minister Pettigrew announced the department's launch of its "Virtual Trade Commissioner" -a unique, on-line service for Canadian exporters who want foreign market information on contacts and business opportunities. "I am proud to launch the Virtual Trade Commissioner, an exciting new tool that will help Canadian companies do business in foreign markets," said Minister Pettigrew. "We have been working hard through trade negotiations to provide Canadian companies with unfettered access to foreign markets. The Virtual Trade Commissioner will help them seize the opportunities that these markets present." Registrants will receive a personalized and password-protected Web page. Each Web page will provide on-line access to market information, including market reports, business news, events and business leads related to the registered user's industry sector and foreign markets of interest. Users can request services on-line from a trade commissioner responsible for their industry sector in their target market.

WESTERN STANDARDS COMMITTEE HOLDS FIRST MEETING: The Canadian Grain Commission (CGC) reported on November 1, 2002, that the newly restructured Western Standards Committee (WSC) met in Winnipeg, October 30. The WSC is an advisory committee established under the *Canada Grain Act* that meets semi-annually to (i) Recommend specifications for grades of grain; (ii) Recommend standard samples to be used as a visual grading reference at primary, transfer and terminal elevators; (iii) Advise the Canadian Grain Commission (CGC) on other topics related to grain standards. A CGC grain inspector discussed some of the main grading factors in the 2002 harvest and told the WSC that the wet harvest in many areas of the Prairies this fall explains the main grading factors for this year's crops and

accounts for No. 2 and 3 grades in some samples. Citing CGC harvest survey data, the CGC grain inspector reported that the most common grading factors were (1) Mildew in Canada Western Red Spring (CWRS) wheat; (2) Mildew, sprout damage and percentage of hard vitreous kernels in Canada Western Amber Durum (CWAD) wheat; (3) Sprouting, mildew and staining in malting barley; (4) Mildew in Canada Western oats; (5) Bleaching in Canada Green peas. Factors that were not influenced by the wet harvest but were also common this fall were Fusarium damage in samples of CWRS wheat and earth tag in yellow peas. Many samples of CWAD wheat were graded No. 2 because of a lower percentage of hard vitreous kernels. No. 1 CWAD wheat contains 80% or more hard vitreous kernels and yields high proportions of semolina and low proportions of flour during milling.

The WSC recommended new standard samples for the following grades for the 2002-03 crop year: (1) Nos. 1 to 4 Canada Western Red Spring wheat; (2) Nos. 1 to 3 Canada Western Amber Durum wheat; (3) No. 1 Canada Western Red Winter wheat; (4) Barley, Select Canada Western Two-Row; (5) Barley, Select Canada Western Six-Row; (6) Peas, No. 1 Canada (good natural color); (7) Pea Beans (good natural color); (8) Pea Beans (reasonably good color); (9) Pea Beans (fairly good color); and (10) Soybeans, Nos. 1 and 2 Canada Yellow. Standard samples are used as visual references by CGC and grain industry inspectors.

FARMER SEEKS SUPREME COURT APPEAL AGAINST MONSANTO: According to the November 6 edition of the *Globe and Mail*, Saskatchewan farmer Percy Schmeiser has applied to take Monsanto Co. to the Supreme Court of Canada in a case challenging the patentability of genetically modified life forms. Schmeiser, 71, of Bruno, Saskatchewan, is seeking leave to appeal a decision by the Federal Court of Appeal which upheld a lower court's ruling that found him guilty of patent infringement for growing a gene-altered canola variety immune to Monsanto's powerful Roundup weed killer. The appeal is based on the argument that the Federal Court of Appeal decision greatly narrows the proprietary right of farmers over their seeds and crops. In a March, 2001, ruling, federal Judge Andrew MacKay said the "balance of probabilities" showed Mr. Schmeiser grew herbicide-resistant canola without paying Monsanto Co. for the seeds. An estimated 30,000 Canadian farmers use the product, said a Monsanto spokesperson. So far, Mr. Schmeiser is the only one that has been taken to court. But 50 farmers have settled out of court in Canada with Monsanto Co. Mr. Schmeiser was ordered to pay Monsanto Co. C\$12,245 in damages and C\$100,000 in court costs.

TRADE MISSION TO AFRICA: Following on Canada's G-8 commitment to help foster innovation and economic growth in Africa, and in an effort to explore the commercial potential currently on the African continent, the Department of Foreign Affairs and International Trade (DFAIT) is organizing a Canada Trade Mission to be led by Minister Pierre Pettigrew to South Africa, Nigeria and Senegal from November 15-26, 2002. Agri-food is one component of the mission that DFAIT says will focus on trade and investment opportunities for Canadian companies and advancing Canadian trade policy objectives. According to DFAIT, many African economies are looking overseas to meet the growing demand for imported goods and services, joint ventures and investment.

PROACTIVE STANCE BY BEEF INDUSTRY HELPED IMPROVE DEMAND SAYS REPORT: In a study of the relationship between demand and health and safety issues, the George

Morris Center, a Canadian agricultural policy think-tank, reports that Canadian cattle producers, beef processors and industry associations have helped to improve beef demand as a result of determined, focused efforts. By having the courage to address sensitive topics like health and safety, the beef industry has helped to improve the most important issue that they face: the demand for their product. As the industry continues to focus on safety, the number of recalls will decline and as such, the potential erosion of demand will also decline. Furthermore it appears that the industry is on the right path on the subject of consumer perceptions related to health and nutrition. Positive news and attitudes can only help beef demand, although it might take years to determine the magnitude of the benefit. While it is still early to state categorically whether positive news and increased safety is aiding beef demand, the fact is that beef demand is improving. Cattle producers, beef processors and industry associations can take a great deal of pride in contributing to an increase in demand. The industry faced these sensitive issues directly and took on the challenge of improving the situation. Consumer perceptions, however, are very unpredictable and, at times, erratic. In other words, this is a task that is never ending and must be maintained. For the full report, go to: <http://www.georgemorris.org/>

CANADA CONNECT MATCHMAKER PROGRAM REVISED: CANADA CONNECT – Canada Agrifood Network–Agent Distributor Connection, a cost effective matchmaking service for U.S. food and beverage producers wishing to investigate the Canadian market for brokers/agents and distributors, has been revised. For more information, see GAIN report CA2129.

MAJORITY OF CANADIANS EAT SNACK FOODS ON A DAILY BASIS: According to *Western Grocer* magazine, a recent Hain Celestial Group Canada survey indicates that an overwhelming 95% of Canadian adults eat snack foods and 52% indulge in them on a daily basis. Almost a quarter of respondents said they treat themselves more than once a day to their favorite salty or sweet snack. Canadians' busy schedules leave less time for healthy meals, and they, therefore, are snacking more. Today's consumer is looking for convenient yet nutritious snack foods. According to the survey, Canadian consumers' biggest concern is weight gain associated with eating snack foods that are low in nutritional value.

Did You Know ...that since its legalization for research and commercial purposes in 1998, Canada's hemp industry is re-emerging. Popular in Canada in the 18th and 19th centuries, the crop became illegal in 1938. Today, more than 600 Canadian farmers are growing hemp for industrial and pharmaceutical purposes and for body-care products.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2129	CANADA CONNECT Program Revised	11/07/2002
CA2128	This Week in Canadian Agriculture, Issue 38	10/31/2002

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